

# Miami Dade Transportation Summit

## Private Sector Participation in Project Delivery






# Public-Private Partnerships in Project Delivery: A Programmatic Approach

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American Public Transportation Association

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A photograph of the Mount Rushmore National Memorial in the United States. The image shows the carved faces of four presidents: George Washington, John Adams, Thomas Jefferson, and Abraham Lincoln. A red speech bubble with a black outline is positioned in the upper right quadrant, pointing towards the face of George Washington. The background is a clear blue sky with some white clouds.

Yes, of course  
there's a federal role  
in transportation...

# What's the Situation?

- Ongoing debate on infrastructure funding, priorities, and appropriate roles of the federal, state, and local governments... and the private sector
- Continued fiscal crises affecting projected revenues, access to credit, and our ability to deliver needed infrastructure
- Not since 1956 and 1964 has there been a discussion of such fundamental nature in the way we do the business of moving people and goods in America

# Innovative Project Delivery

A decorative header illustration featuring a green hillside on the left with a white geodesic dome structure. In the background, there are blue mountains and a small airplane flying in the sky. On the right side, there are two circular cutouts showing a multi-level highway interchange with cars and a tunnel interior with two buses.

*“A partnership between governmental agencies and private entities for the primary purpose of effectively developing, operating and/or maintaining public infrastructure traditionally in the domain of the governmental sector”*



# Mythology

- The public sector is inefficient and incapable
- The private sector is altruistic and charitable
- Public works should be profit-making in all cases
- Private investors are risk-averse
- P3s work in Europe and Asia because the private sector is willing to take greater risks
- P3s allow public officials to avoid funding public infrastructure with public funds
- Funding and financing are the same thing

# Some Believe That...

- When there are no federal grants...
- When there is no state money...
- When no local sources of funds are available...
- ... *then (and only then) is a project a candidate for private sector involvement*

**LEVERAGING PUBLIC ASSETS  
IS THE KEY TO P3 SUCCESS**

# Four Key Elements of P3s



- P3s are about *project life-cycle*. Successful P3s integrate project design, construction, operations and maintenance.
- P3s are about *skin in the game*, which doesn't always mean *money*.
- P3s are about *financing* projects, not necessarily *funding* them.
- P3s are about *leveraging assets* over time.



# Risk and Reward



# What's Happening Elsewhere?

## Los Angeles County

**Population: 10.3 Million**

**Area: 4,084 Square Miles**

- 88 cities: 5.1 million people
- LA City: 4.1 million people
- Unincorporated areas: 1.1 million people
- Economy: Larger than 42 states



# Transportation Challenge

- Adding 2 million more people to the LA urban landscape over 20 years
- Building “further out” increases trip length, travel time, and traffic impact on communities





# Southern California



## First Private Toll Road SR 125 – South Bay Expressway

- Concession signed between State and CTV Inc. in 1991
- Construction began in October 2002
- Facility opened in December 2007
- State of California gets needed highway at *no cost to public*





# Grand Opening

## South Bay Expressway – SR 125



# Los Angeles County Metropolitan Transportation Authority

## LACMTA



**Regional  
transportation  
planner**



**Regional  
builder**



**Regional transit  
operator**

*....for all of Los Angeles County*

# 73 Miles of Urban Rail

## 63 Rail Stations



**Metro®**

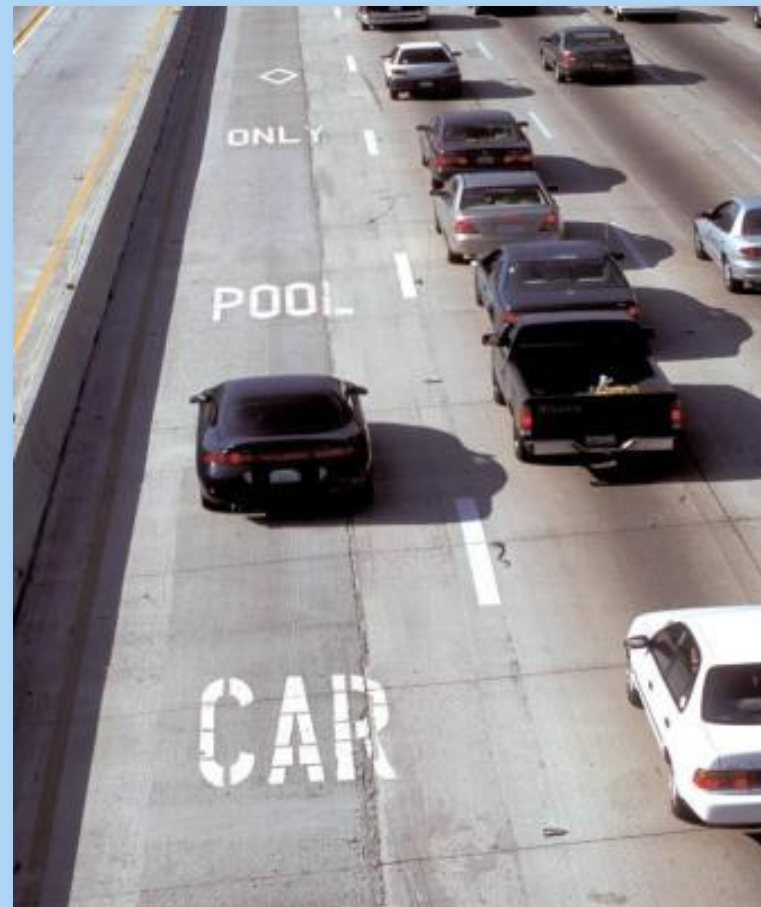




# 447 Miles of HOV/Express Lanes



Metro®





# LACMTA Public-Private Partnership Program

- **Multimodal and multipurpose**
  - Rail and highway projects
  - Greenfield and brownfield projects
  - Passenger and freight projects
- **Leverage Measure “R” funds**
  - \$35-\$40 billion in local sales tax revenues
  - Approved by 68% of voters in LA County in November 2008
- **More than \$20 billion in potential P3 procurements**



# Public-Private Partnerships...

- How can private capital – *including pension funds* – be utilized to build, operate and maintain regional transportation projects in an optimal manner?
- How can public funds be leveraged in creative ways to make best use of private capital?



*...accelerating project delivery*

# P3 Structures Considered



- Design-Build (DB)
  - › May include financing component (DBF)
- Design-Build-Maintain (DBM)
  - › May include financing component (DBFM)
- Design-Build-Operate-Maintain (DBOM)
  - › May include partial financing component (DBFOM)
- Project Concession (DBFOM)
  - › Includes financing component
  - › Generally includes full or partial revenue risk

# Metro P3 Program Objectives



- Leverage Measure “R” and other local funding
- Accelerate project development and delivery
- Attract strategic investment and private finance
- Reduce current and future project costs
  - › Reduce capital construction costs
  - › Transfer life-cycle risk for maintenance and operations from public to private sector
- Deliver \$20+ billion in potential P3 procurements over next decade



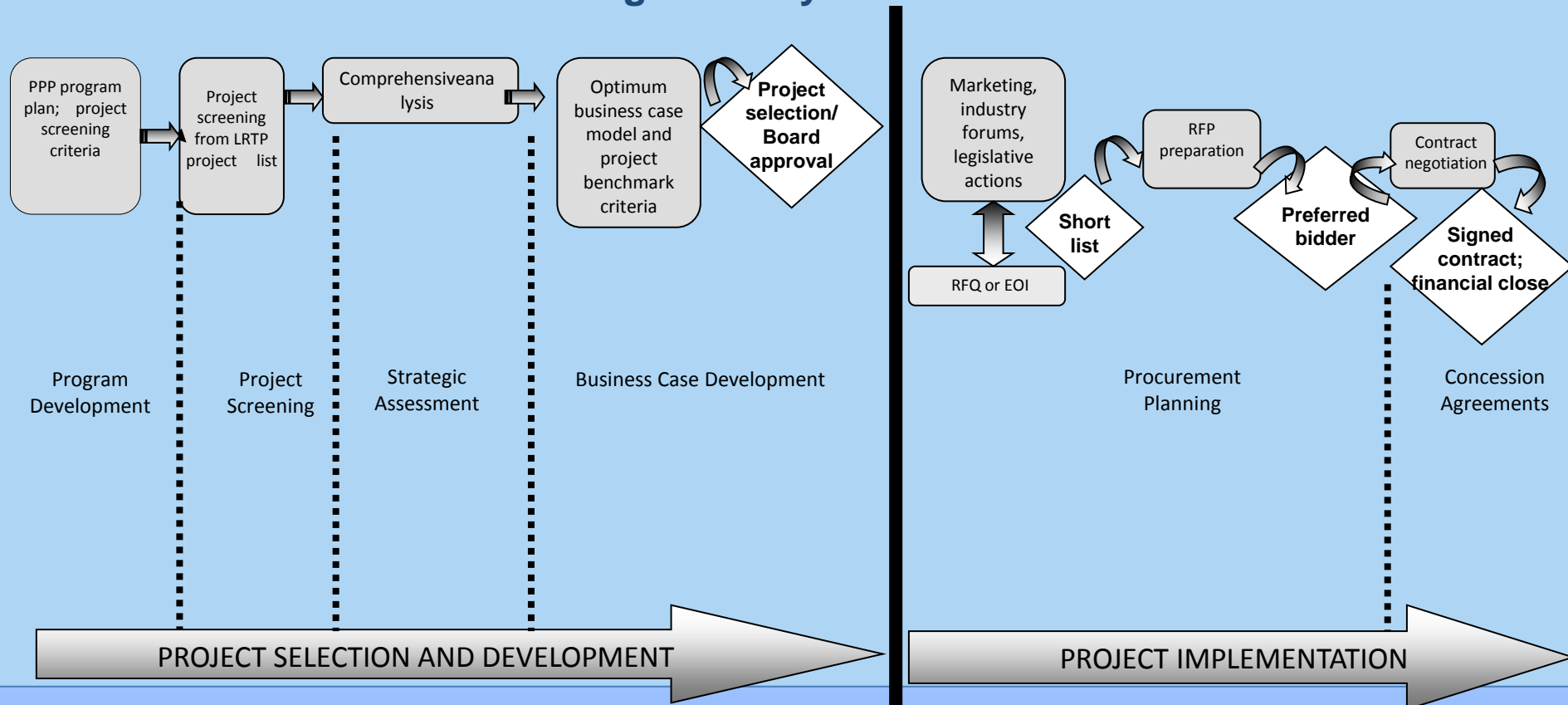


# Focus on Project Life-Cycle

- **Achieve accelerated project delivery**
  - Project activities in “parallel”
- **Insure project quality throughout life cycle**
  - Private financial participation (“skin in the game”)
- **Reduce agency risk**
  - Eliminate/lessen risk of project cost overruns/change orders
  - Reduce public sector risks by strengthening project interfaces
- **Complement federal funding**
- **Achieve cost savings**
  - Operations - performance-related concessions and system availability-based contracting
  - Capital - design and construction efficiencies
- **Enhance cash flows**
  - Private financing mechanisms
  - Leverage Measure R revenues and other public funding sources
- **Utilize new funding sources**

# Project Development Process

## An Imbedded and Programmatic Process for Selection and Implementation of Projects Utilizing a Variety of P3 Models



# Metro P3 Advisory Team

## HDR/InfraConsult - P3 Program Manager



### Primary Specialty Consultants

- KPMG LLP  
Financial Advisory



- Nossaman LLP  
Legal Advisory



- Sharon Greene + Associates LLC  
Strategy and Funding Advisory



- HDR Inc.  
Technical Advisory



# Initial Transit Projects Recommended for P3 Delivery



## MEASURE R Proposed Rail and Rapid Transit Expansion

### Project Name





# Transit Projects

- All three prospective projects are extensions of, or “interline” with, existing and currently operating rail lines
- The rail projects have significant Measure R funding and Westside Subway Extension and Regional Connector have federal “New Starts” grant support
- Crenshaw/LAX has a \$540 million TIFIA award which is being managed through internal budgetary programs

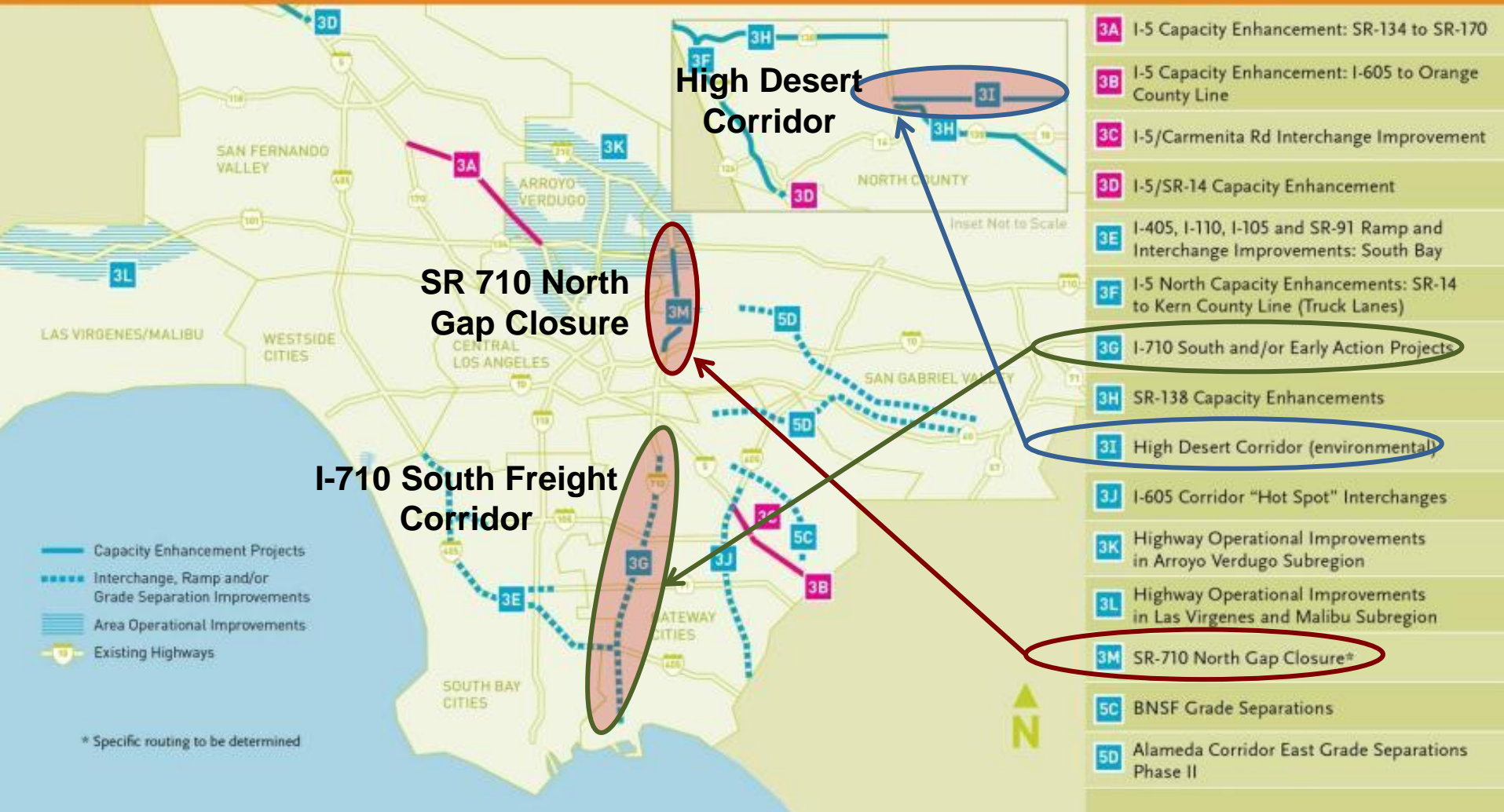
## **Rail Project P3 Recommendations**

- The rail projects are recommended for design-build for all or parts of the respective capital construction programs
- Legacy operation and maintenance of the rail lines will continue under Metro operating auspices
- New transit lines with “independent utility” will likely be considered for DBFM or DBFOM delivery

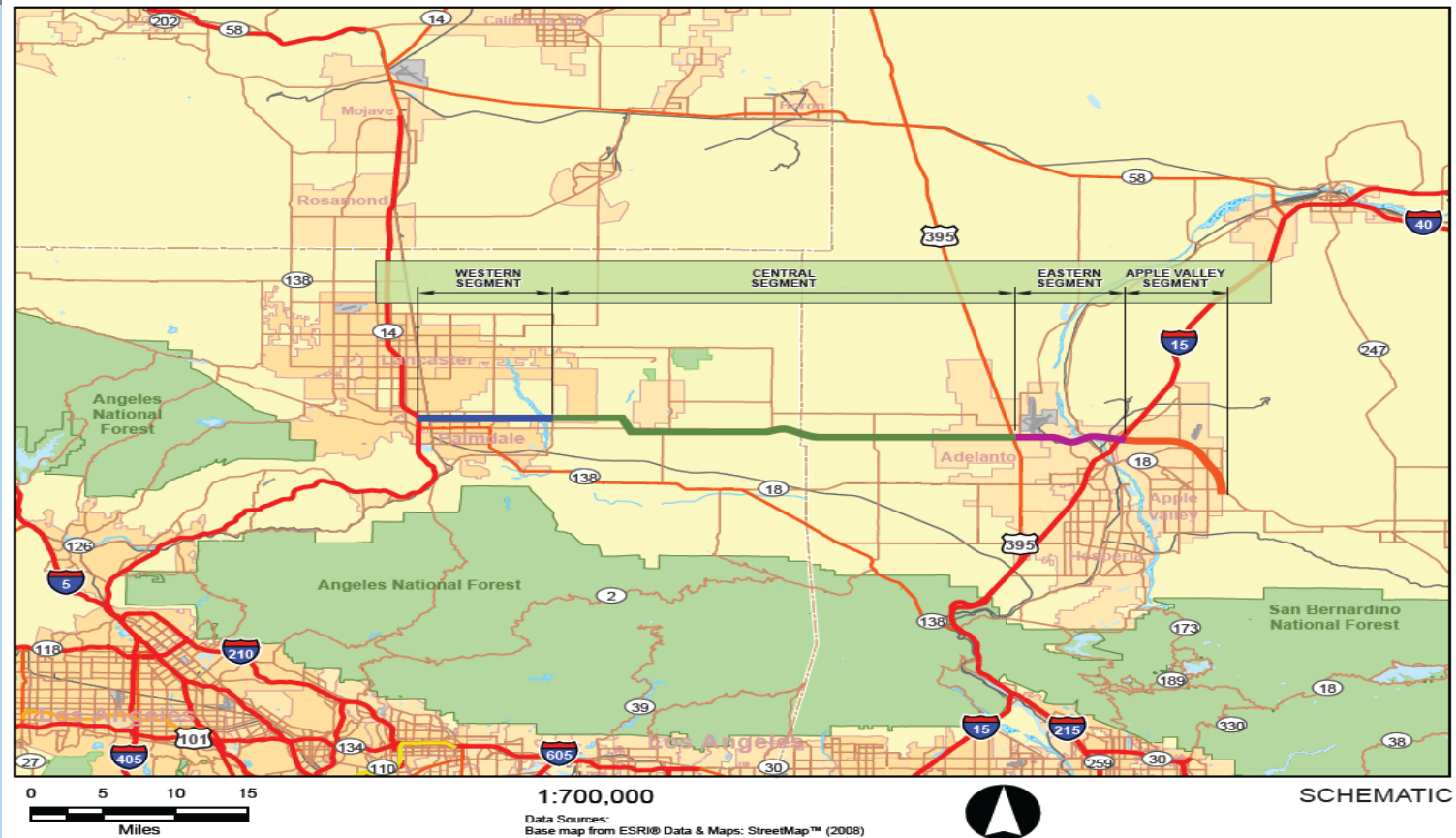
# Initial Highway Projects Recommended for P3 Delivery

## MEASURE R Proposed Highway Improvements

## Project Name



# High Desert Corridor / Xpress West



- 63-mile east west corridor from SR-14 to I-15)
- Estimated cost \$2.7 billion



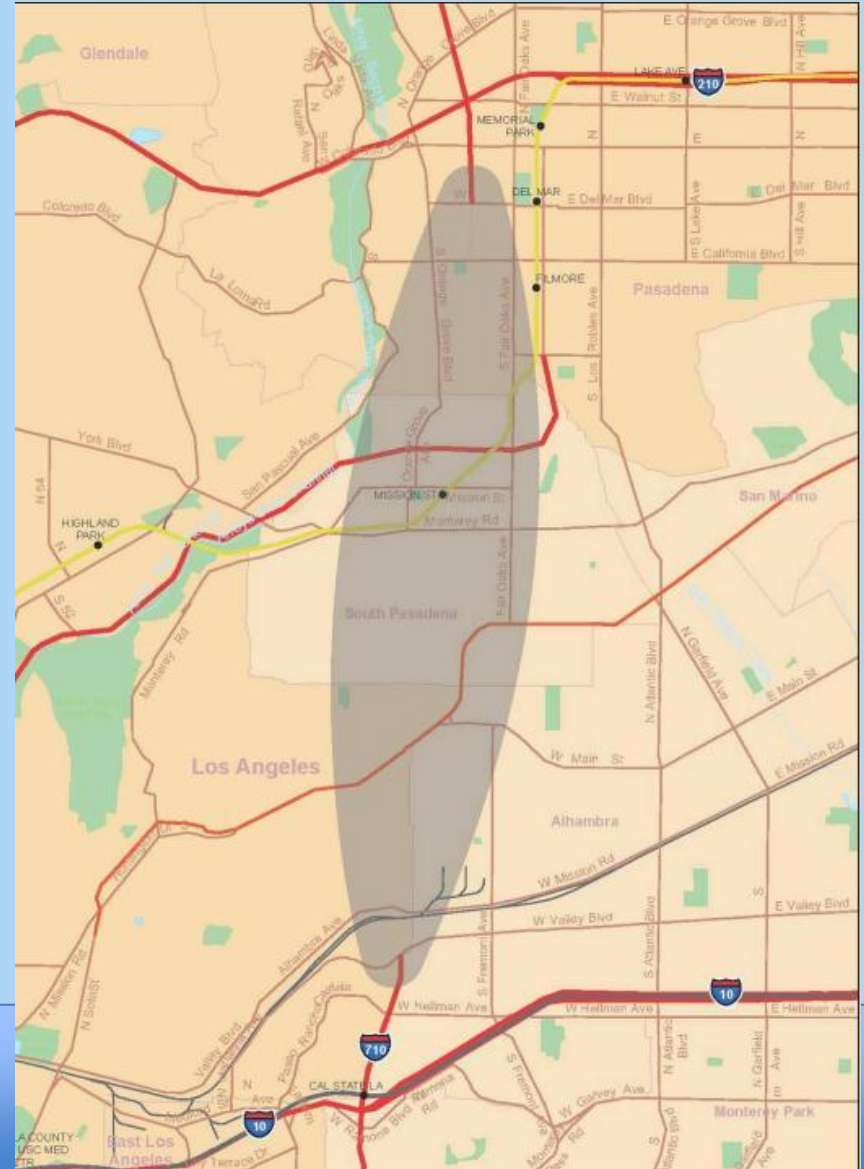
# I-710 South Freight Corridor

- Improvement of 18+ miles of freeway:
  - *Four-lane exclusive tolled truck corridor*, procured initially as a public-private partnership (availability payment model)
  - Freeway widening to 10 lanes
  - Improvement of most existing interchanges
- Estimated Cost:
  - Truck Tollway - \$4.5+ billion
  - Total Project - \$8.0+ billion



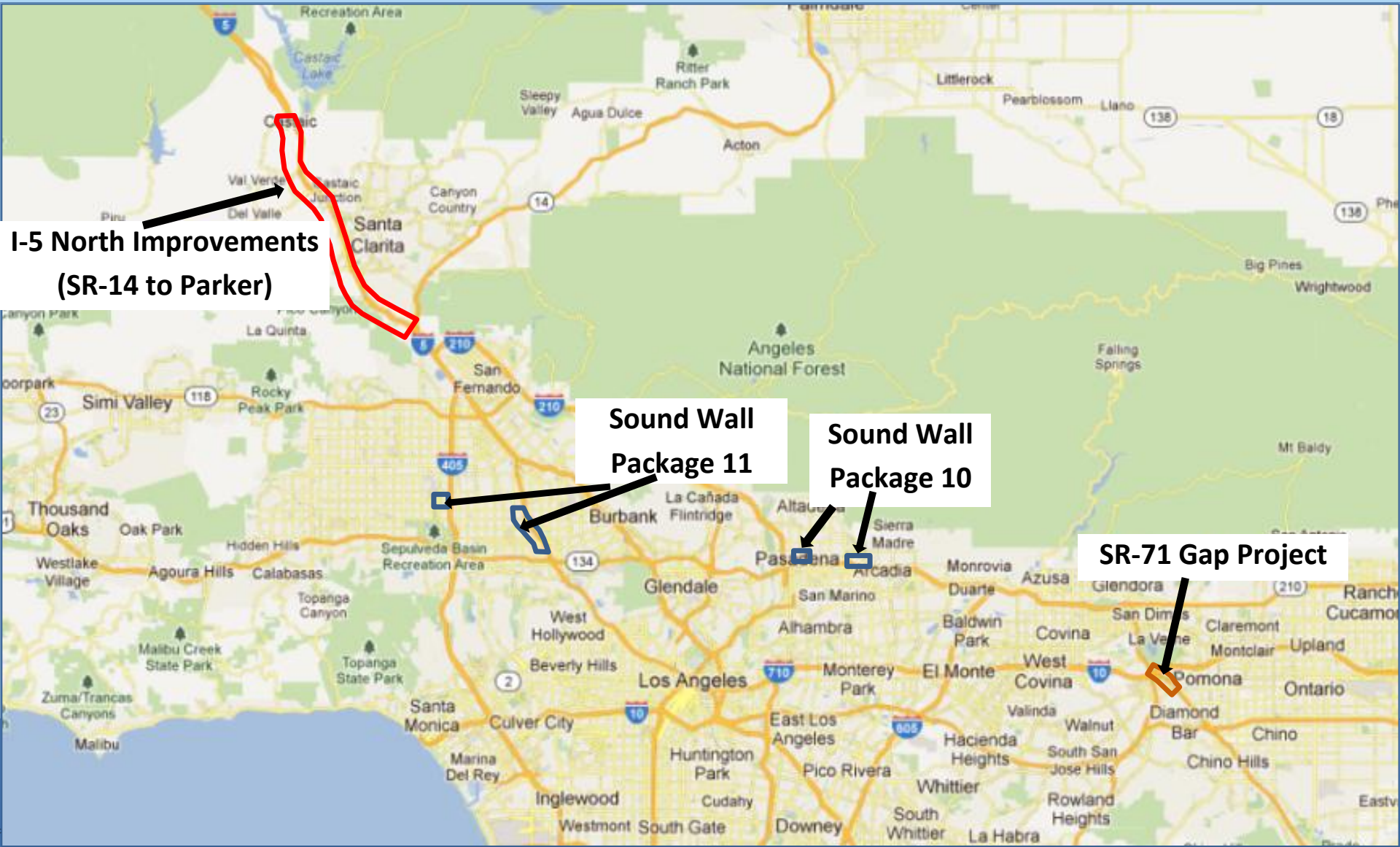
# SR 710 North Gap Closure

- Extension of existing Long Beach Freeway to I-210
- Proposed tunnel for significant portion of alignment
- Estimated Cost: \$4+ billion
- May be procured as a toll concession with full or partial revenue risk transfer to concessionaire





# Accelerated Regional Transportation Improvement Project (ARTI)



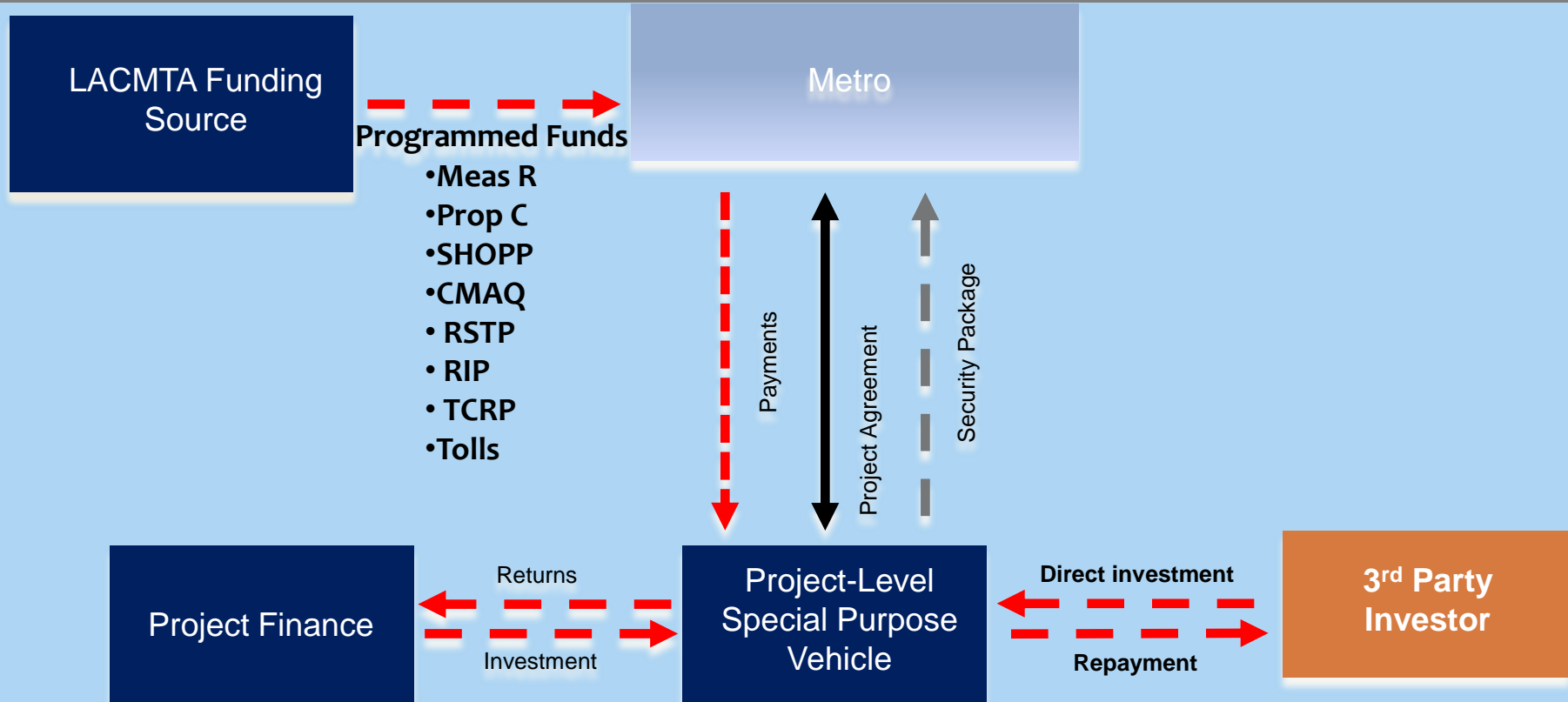
**I-5 North Improvements  
(SR-14 to Parker)**

**Sound Wall  
Package 11**

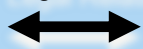
**Sound Wall  
Package 10**

**SR-71 Gap Project**

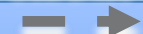
# Potential Investment Structure



Legal Relationship



Guarantee

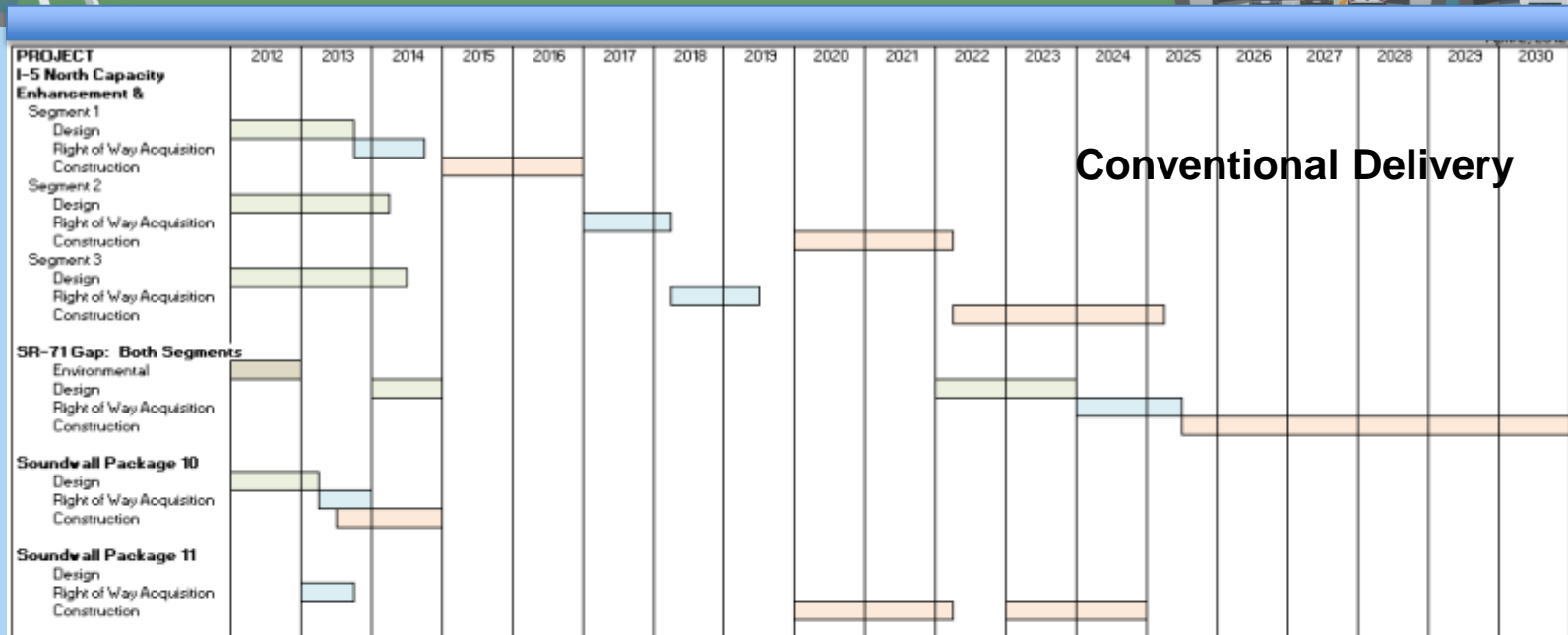


Financial Commitment

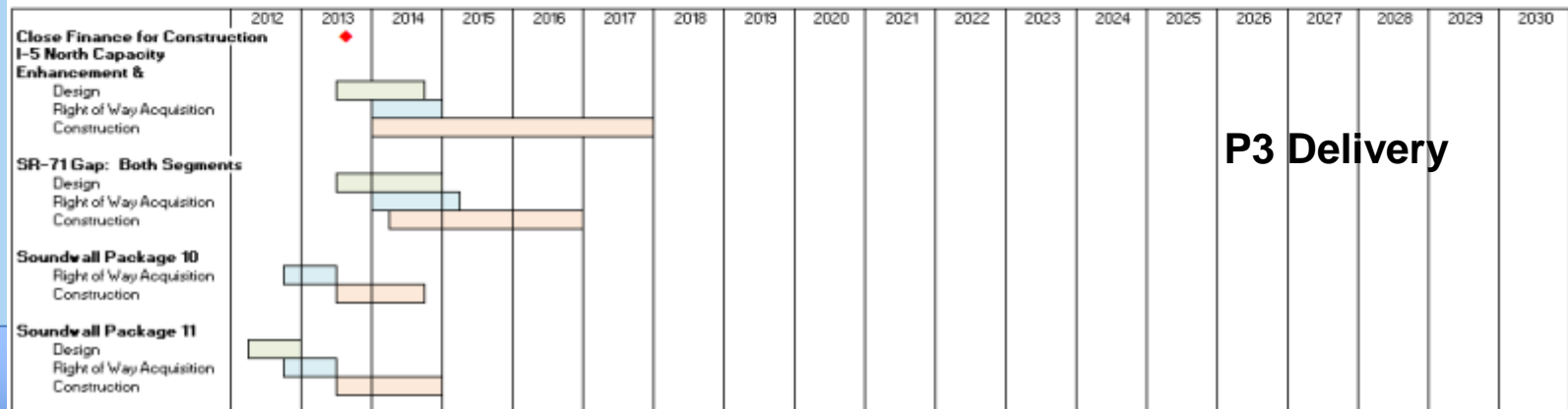


## Accelerated Regional Transportation Improvement Project

# ARTI: Conventional and P3 Delivery



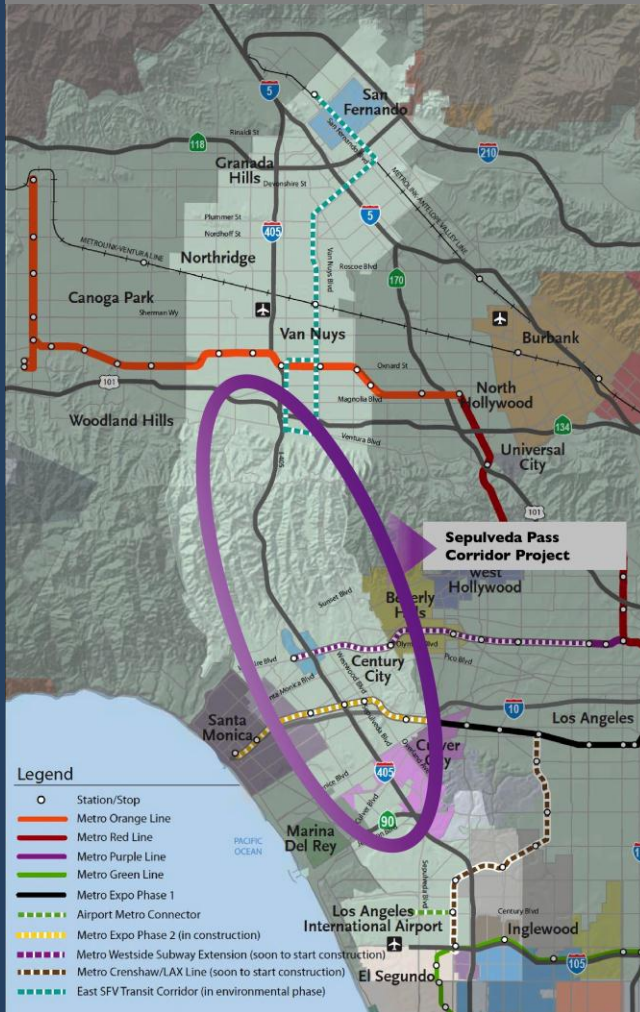
## SINGLE AVAILABILITY PAYMENT CONTRACT COVERING ALL ELEMENTS WITH SCULPTED PAYMENT OBLIGATIONS





# Sepulveda Pass Transportation Corridor

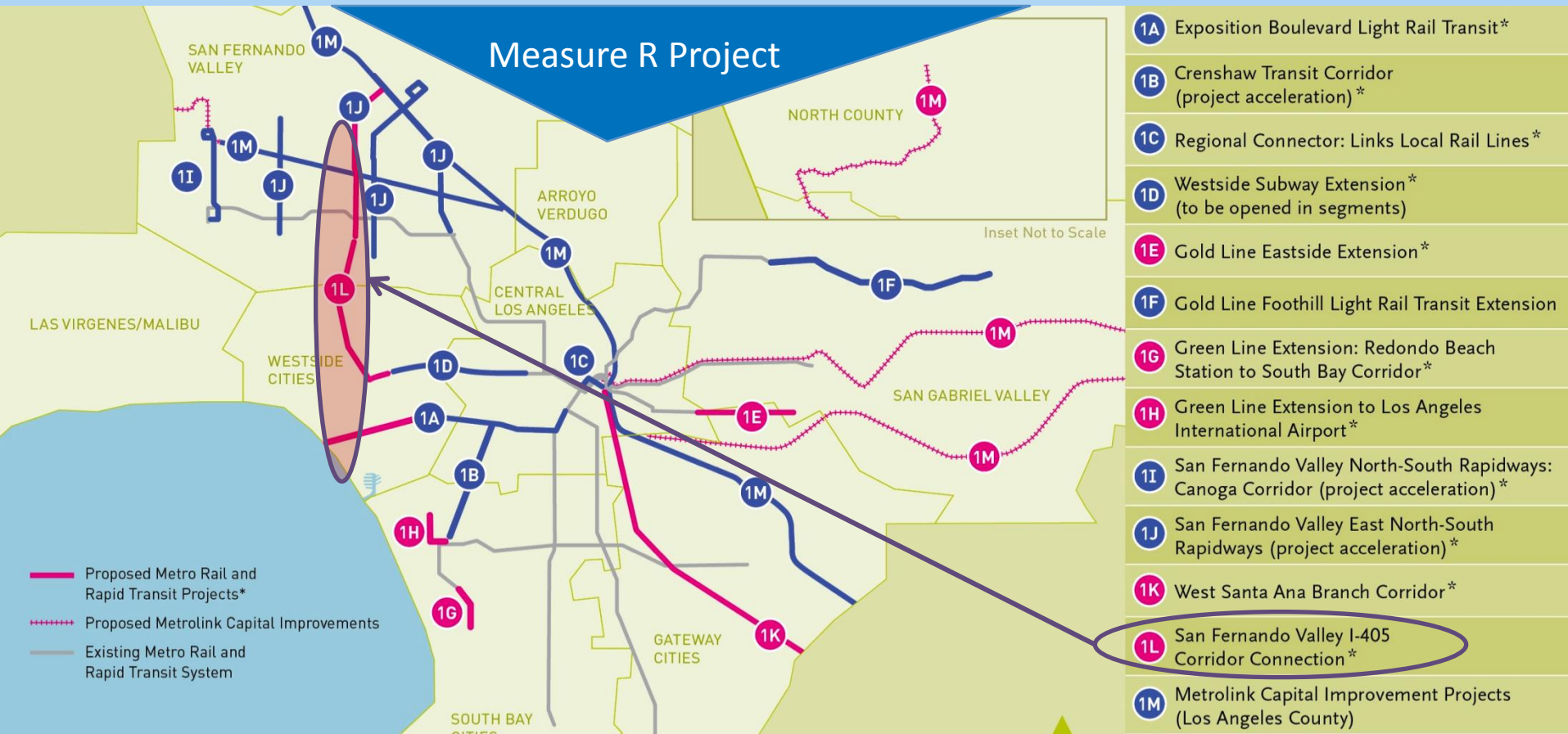
## Premier Public-Private Partnership Project





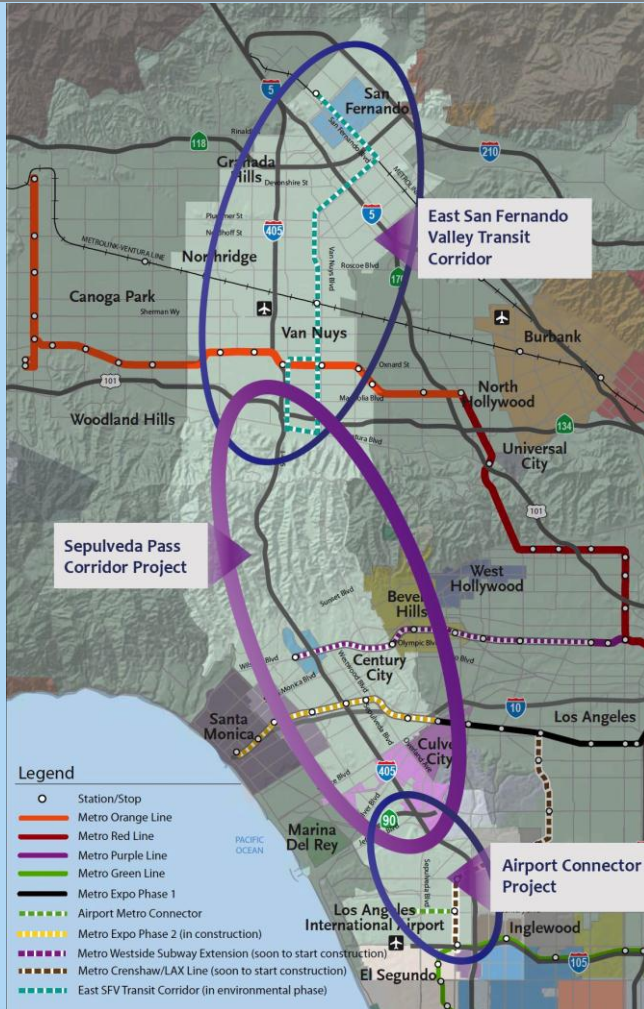
# Sepulveda Pass / I-405

Recently Named by US Department of Transportation as the  
Most Heavily Congested Highway Corridor in the Nation



Transit Projects Included in Measure R  
Approximately \$1 Billion Allocated in Third Decade for I-405 “Connection”

# Sepulveda Pass Corridor



## Extends for 30 miles

- San Fernando Valley - 11 miles
- Sepulveda Pass – 9 miles
- Westside to LAX – 10 miles

## Potential Transit Connections:

- Metrolink Antelope Valley Line
- Metrolink Ventura Line
- East San Fernando Valley Transit Corridor
- Metro Orange Line
- Westside Subway Extension
- Expo Line Phase 2
- Crenshaw/LAX LRT Project
- Airport Metro Connector
- Metro Green Line

## Potential Highway Connections

- SR 118
- US 101
- I-10
- SR 90
- I-105

# Indicative P3 Concept

## Tolled Highway Bypass

- Initial Northern Portal: Van Nuys Airport
- Initial Southern Portal: Westside
- Minimum five lanes
- Potential extension to LAX and South Bay
- Potential extension north to Santa Clarita and Antelope Valley

## Premium Transit System

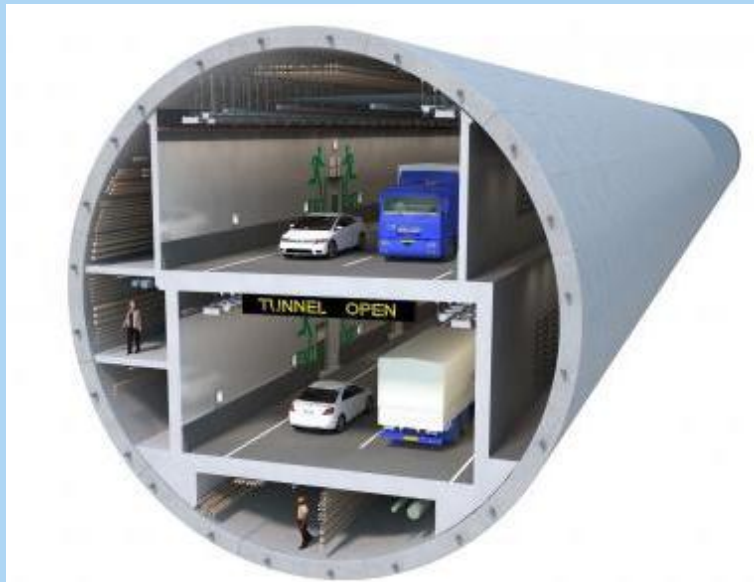
- Initial Northern Portal: North Valley Metrolink
- Initial Intermediate Stations: Orange Line, Purple Line, EXPO Line, Metrolink Lines
- Automated, driverless transit technology
- Potential extension/connection south to Green Line/LAX
- Potential extension/connection north to Palmdale





# Toll Highway & Rail Transit

## P3 Concept for Sepulveda Pass Corridor



Underground Tollway and High Capacity Rail System





# P3 Concept Highlights



- Demand for travel in the Sepulveda Pass Corridor is huge – *and this demand will remain significantly unmet under all current funding/financing options.*
- Public funding is simply insufficient to build and operate a project that meets travel demands in the corridor
- A significant opportunity exists to generate user-based revenue under a P3 concept that includes a tolled bypass highway *and* a premium-fare automated rail system,

# P3 Concept Overview



- The cost of the project could range between \$8 and \$20 billion, depending upon project limits and locations of transit stations and highway connections.
- Demographics and travel demand point to travelers willing and able to pay substantial tolls and/or premium transit fares.
- Early traffic and revenue forecasts show potential annual revenue from tolls and transit fares at \$500-\$800 million annually, with about 65%+ coming from tolls.
- This revenue could be leveraged to build and operate the project as a P3

# Pre-Development Agreement Concept



- A Pre-Development Agreement (“PDA”) is awarded to a contractor through a competitive process, with the contract and subsequent concession agreement covering two distinct phases:
  - › An initial phase, which includes confirmation of project feasibility, development of engineering and operational concepts, and definition of project finance plan
  - › A second phase, which includes project implementation through execution of a long-term concession agreement, covering the contractor’s rights and obligations for project financing, design, construction, operation and maintenance

# Potential Pre-Development Activities



- Concessionaire roles
  - › Assist in project scope definition
  - › Participate in project planning and design
  - › Perform technical studies to support environmental clearance
  - › Perform permitting and regulatory processes
  - › Optimize risk allocation



# Pre-Development Agreement



- Mechanisms pre-established by Metro to assure competitive market-based pricing by PDA concessionaire in order to move from Phase 1 to Phase 2
- The PDA concessionaire would maintain the first right of negotiation with MTA for the Concession Agreement, which would include
  - › Design
  - › Construction
  - › Finance
  - › Operations
  - › Maintenance

# Why Use a PDA Approach?

- Obtain maximum private sector innovation
- Bring contractor aboard early to assure environmental clearance for specific design and construction approach
- Reduce overall schedule and streamline environmental clearance process
- Incorporate nominal contractor/concessionaire roles during project development
  - › Assist in project scope definition
  - › Participate in project planning and design
  - › Perform technical studies to support environmental clearance
  - › Perform permitting and regulatory processes
  - › Optimize risk mitigation plan

# Sepulveda Pass RFI

## Request for Information

Regarding Potential Project Delivery and Finance  
Structure for the Sepulveda Pass Corridor Program

Responses Due  
5:00 PM PDT  
May 20, 2013



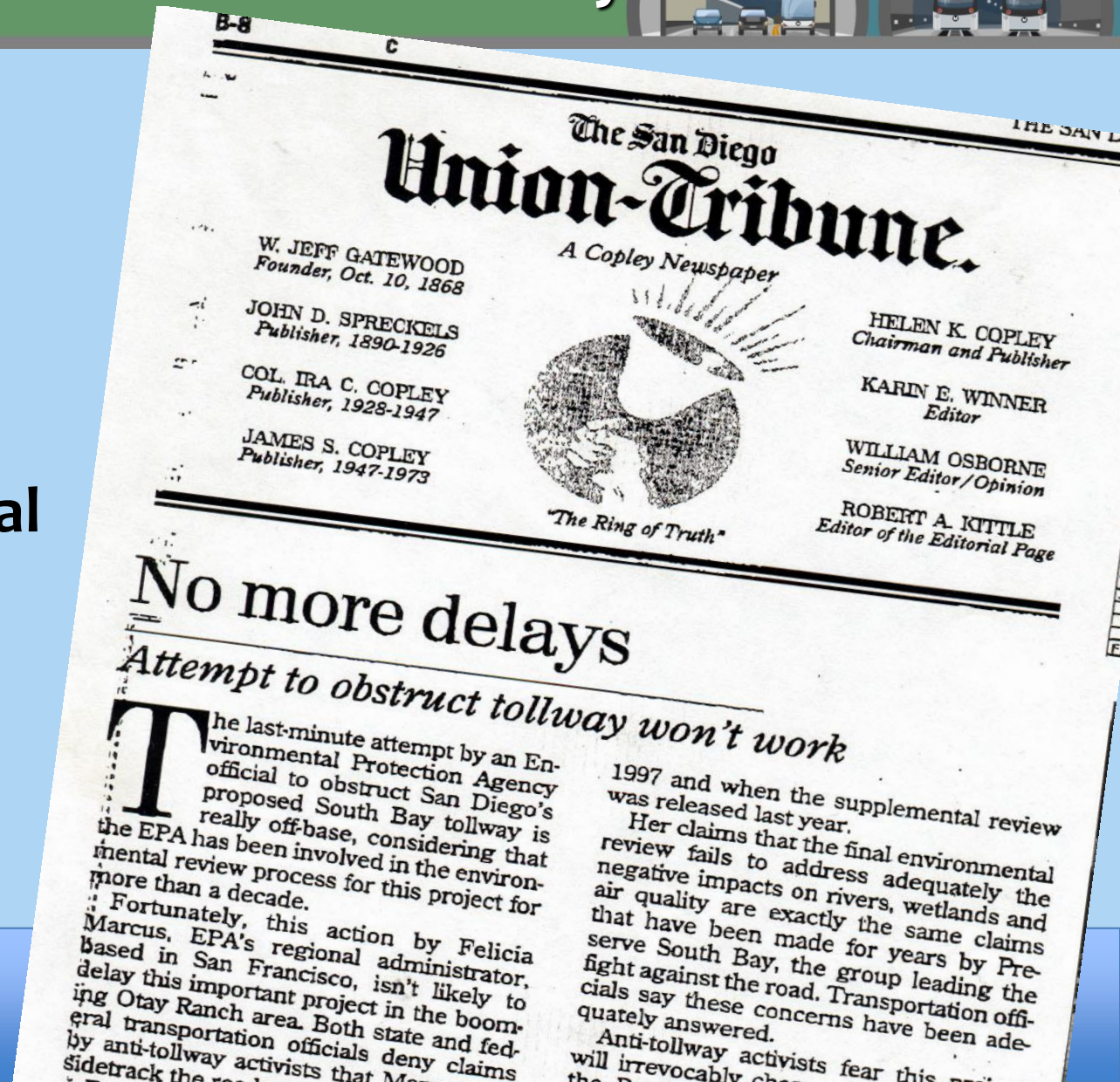




**What  
Have We  
Learned?**

# Widespread Support: Project and Method of Delivery

Significant  
Political  
Support From Local  
Jurisdictions



# Attributes of Successful P3 Projects

- What project attributes are required to facilitate private sector involvement in project delivery?
  - Stability
  - Predictability
  - Continuity
  - Aceptability

**“SPCA”**



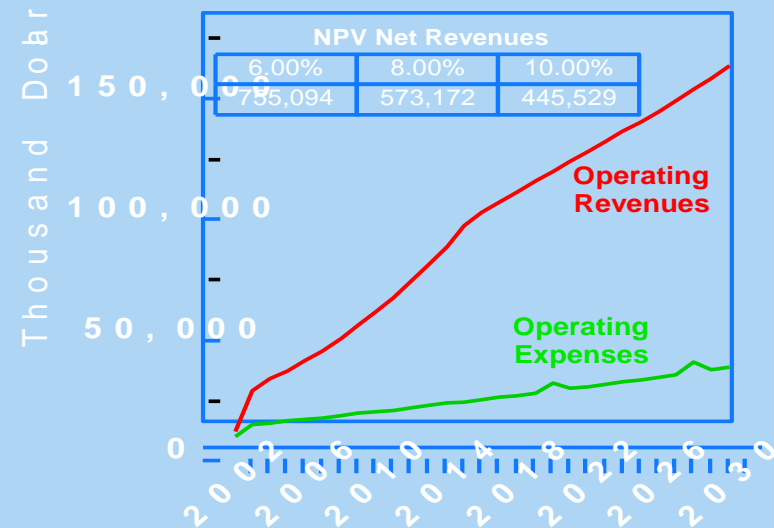
# Stability

The ability to trust that multi-year funding commitments pledged for repayment of financing instruments will be met with minimal *revenue risk*.



# Predictability

The ability to predict accurately what a project will cost to design, build, operate, and maintain, and when it will be open for business.



# Continuity

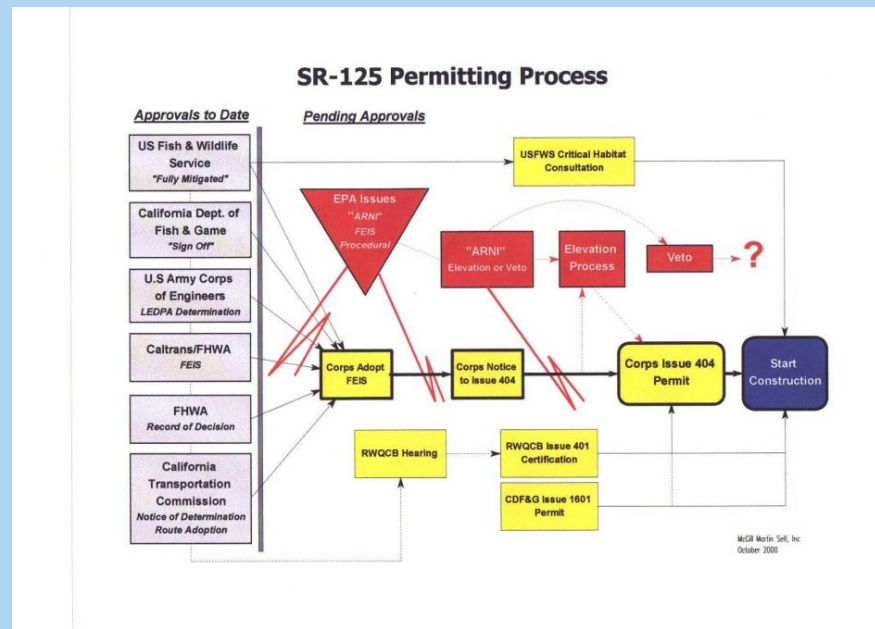


- The ability to trust that the political resolve to get a project done will continue through changes in elected and appointed leadership
- The ability to know that agency decisions made will be maintained over the life of the project development process.

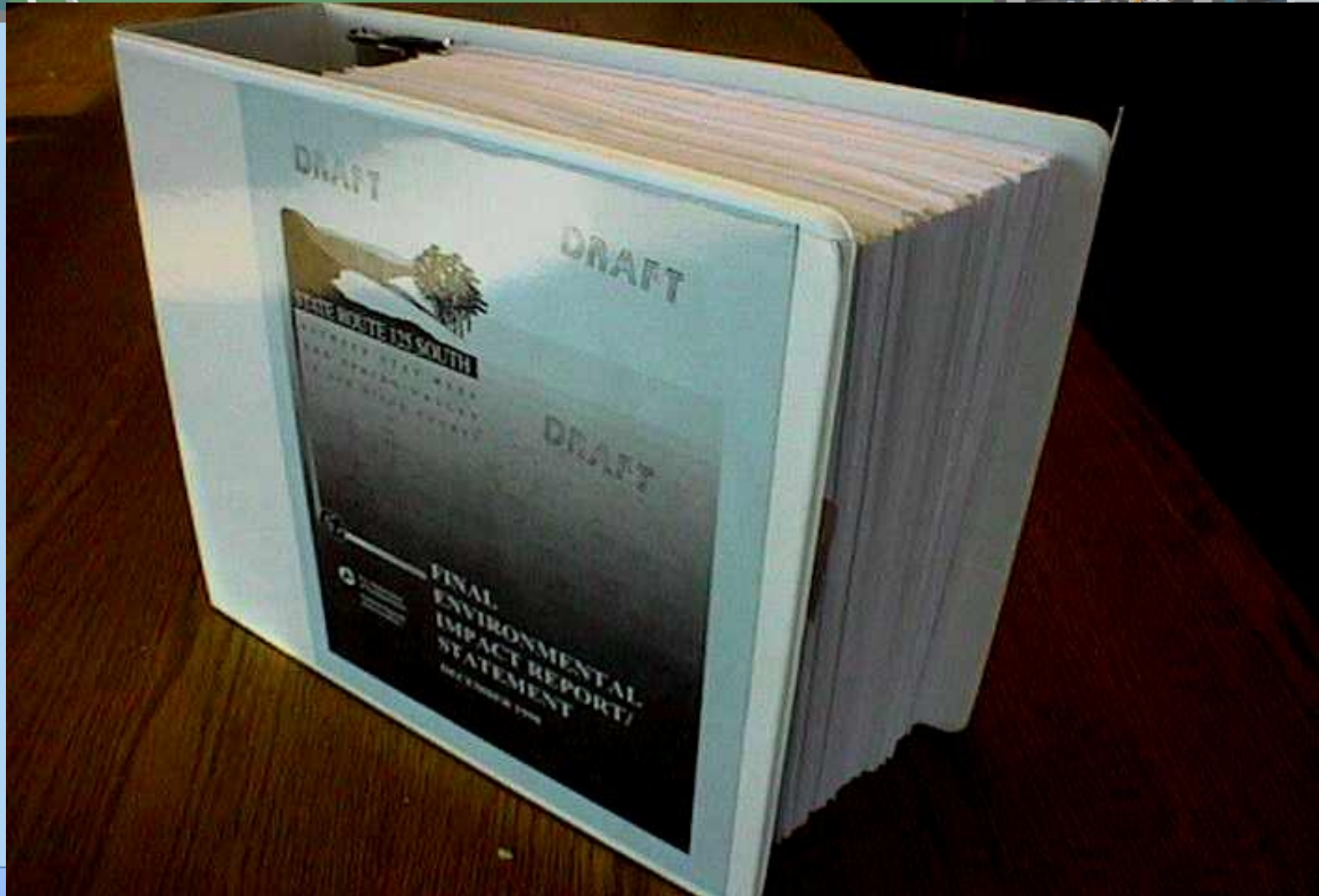


# Acceptability

The ability to *streamline* the process for achieving informed acceptance of project characteristics among public agencies and stakeholders.



# “Bulletproof” EIS



# What Have We Learned?

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**Public-private partnerships must supplement – not substitute – for funding provided through permanent sources of transportation revenue.**



# What Have We Learned?

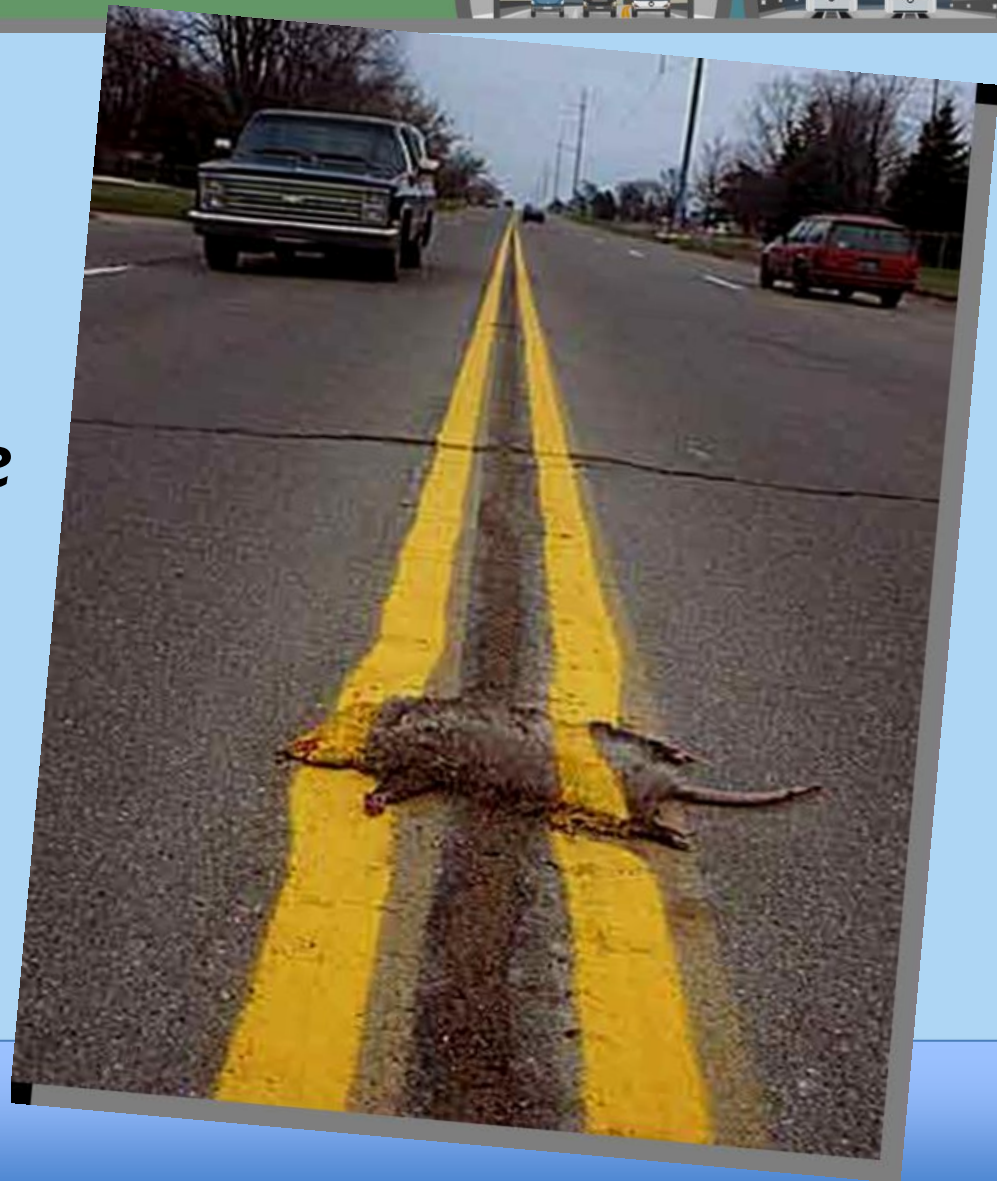
**Without significant public resources dedicated to transportation, there cannot be public-private partnerships in transportation.**

# Surface Transportation Reauthorization

- *Policies that facilitate private investment in public works*
- *Policies that streamline the project development and approval process – highways as well as public transport*
- *Policies that lessen political risk*
- *Policies that emphasize financing as well as grant funding*
- *Policies that encourage expedited project delivery*

# The *Physical* Cliff...

***Can we simply continue  
to kick the can down the  
road?***



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